

ORIGINAL

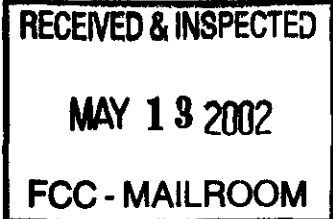
HESSE ● STOBBE & O'SULLIVAN, LLC

EX PARTE OR LATE FILED
hso@hesse-stobbe.com

428 J Street, Suite 340, Sacramento, California 95814

Voice: (916) 446-5624 Fax: (916) 446-5809 TTY: (916) 446-3577

May 10, 2002



Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Ex Parte Notice – PROVISION OF IMPROVED TELECOMMUNICATIONS RELAY SERVICES AND SPEECH-TO-SPEECH SERVICES FOR INDIVIDUALS WITH HEARING AND SPEECH DISABILITIES, CC DOCKET NO. 98-67/ SUMMARY OF A MEETING OF REPRESENTATIVES OF THE FEDERAL COMMUNICATIONS COMMISSION WITH REPRESENTATIVES OF CALIFORNIA RELAY SERVICES RELATED TO RELAY SERVICES.

Dear Ms. Dortch:

In response to Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, Hesse, Stobbe & O'Sullivan, LLC (HSO) submits this letter to report that representatives of this consulting firm and representatives of the State of California's Telephone Relay Services had a meeting with Commission staff on May 2, 2002 at the Commissions' office. The attending guests included Mr. Bill Stobbe, Partner, HSO; Mr. Bill O'Sullivan, Partner, HSO; Ms. Shelley Bergum, Executive Director, Deaf and Disabled Telecommunications Program (DDTP) - State of California; Mr. David Weiss, DDTP TRS Contracts Manager - State of California. Participants from the Commission included Mr. K. Dane Snowden, Chief, Consumer & Governmental Affairs Bureau; Ms. Margaret Egler, Deputy Bureau Chief, Consumer & Governmental Affairs Bureau; and Ms. Pam Gregory, Chief, Disability Rights Office, Consumer & Governmental Affairs Bureau. Also in attendance was an ASL interpreter provided by the Commission.

Following introductions, Mr. Stobbe indicated that the primary intent of the meeting was to update the Commission staff on the status of California's Request for Proposal for TRS, including the RFP's envisioned multi-vendor environment, and the incorporation of auditing capabilities of relay providers' services. He presented a brief overview of Hesse, Stobbe & O'Sullivan's partners' 14-year background of providing technical and procedural consulting services on relay issues to the State of California and its Deaf and Disabled Telecommunications Program, and an overview of TRS experience in California. Mr. Stobbe continued by

No. of Copies rec'd 014
List ABCDE

The California Relay Service (CRS)

CRS expands the capability of people who use a TTY or VCO phone to call – or be called by – anyone.

This service consists of trained operators who relay conversation between people who type or read their telephone communications using a TTY and people who use the common telephone handset to hear and speak. In such a call, the operator types or reads aloud what the other party is communicating. DDTP provides the service through MCI Global Relay and SPRINT, 24 hours a day, 365 days a year, in English and Spanish, free of charge.

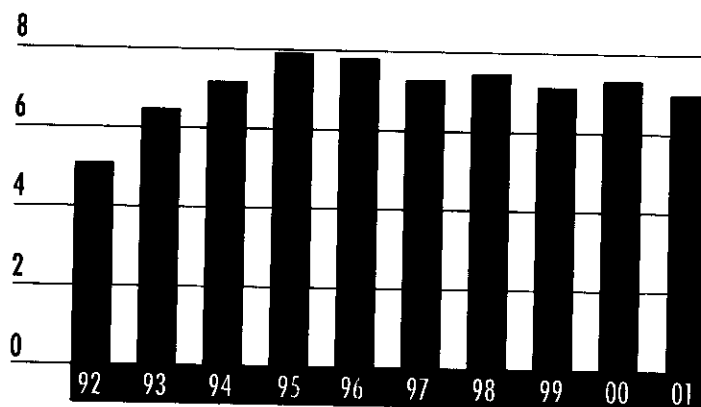
The Speech to Speech Service (STS) is part of CRS and provides trained “voicers” to assist people with speech disabilities to be understood by others over the telephone.

See page 25 for telephone numbers to access these services.

A student at the Fremont School for the Deaf uses her TTY to make calls.

Calls Made Through the California Relay Service

(In Millions)



The California Relay Service Advisory Committee (CRSAC)

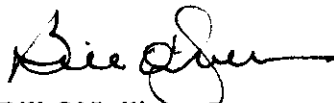
CRSAC is composed of 11 representatives: Voting Members – consumer groups (6); and Non-voting Members – telecommunications vendor and carriers (3), relay service provider (1) and the CPUC (1). Committee Members are listed on page 24.

summarizing a few of the issues related to the provision of new relay services including VRS and Web Chat, provider accountability, performance reporting and billing accuracy. Ms. Bergum and Mr. Weiss contributed comments related to the general provision of services, the needs of California's relay users, the benefits the citizens have realized as a direct result of California's competitive multi-vendor environment, and issues related to the verification of provider charges. Ms. Bergum presented the Commission staff with copies of (1) the DDTP's Annual Report and (2) a brief presentation on the current RFP design.¹

During the course of the meeting the participants discussed the significance of a timely exchange of user "profiles" (preferences) between providers when one provider retires, and the potential related issues in California's multi-vendor environment. The possible need for the Commission to consider enabling non-carrier Relay Center Providers with SS7 capabilities was also discussed.

Copies of this *ex parte* notice (with enclosures) are being filed in accordance the Commission's Public Notice DA 02-756, April 3, 2002 and policies related to oral *ex parte* presentations. If you have questions concerning this meeting or this notice, please do not hesitate to contact the undersigned.

Respectfully submitted,



Bill O'Sullivan, Partner
Hesse, Stobbe & O'Sullivan, LLC
428 J Street, Suite 340
Sacramento, California 95814
(916) 446-5624 – Voice
(916) 446-3577 – TTY
(916) 446-5809 – Fax
hsa@hesse-stobbe.com

cc: Mr. K. Dane Snowden, Chief, Consumer & Governmental Affairs Bureau, FCC
Ms. Margaret Egler, Deputy Bureau Chief, Consumer & Governmental Affairs Bureau, FCC
Ms. Pam Gregory, Chief, Disability Rights Office, Consumer & Governmental Affairs Bureau, FCC
Ms. Shelley Bergum, Executive Director, Deaf and Disabled Telecommunications Program (DDTP)
Mr. David Weiss, DDTP TRS Contracts Manager
Mr. Bill Stobbe, Partner, HSO

¹ Copies of the DDTP Annual Report and the RFP presentation are enclosed.

The Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC)

The DDTPAC is the lead committee to recommend policies to the CPUC, including the program's annual budget, and is responsible for approving expenditures. Its deliberations guide DDTP's strategic planning. It negotiates contracts with vendors and reviews vendor performance.

This committee operates under the direction of the California Public Utilities Commission and is composed of 12 representatives: Voting Members – consumer groups (7); and Non-voting Members: – telecommunications vendor and carriers (3), relay service provider (1) and the CPUC (1). Committee Members are listed on page 24.

Legislative Mandate

DDTP was established in 1981 by the California Public Utilities Commission in order to implement the California Legislature's Senate Bill 597 of 1979. This legislation, supported by California Association of the Deaf, mandated the loan of TTYs to Californians who are Deaf or hard-of-hearing. This equipment was supplemented by other devices to help a wider range of people who have other functional difficulties using the phone, with passage of Senate Bill 60 in 1984. DDTP distributes this equipment through its California Telephone Access Program.

DDTP was also given responsibility for establishing and implementing the California Relay Service, following passage of Senate Bill 244 in 1983. The Speech to Speech Service was added on a trial basis starting in 1996 and became permanent in 1999. The legislation is incorporated into Section 2881 of the Public Utilities Code.

To ensure consumer-friendly services from DDTP, it is vital that consumers monitor DDTP.

It is important to have consumers monitor DDTP's performance.

...guided by three committees...

California Relay Service

Old Problems

New Solutions

Detriments/Benefits

Recommendation

The Deaf and Disabled Telecommunications Program

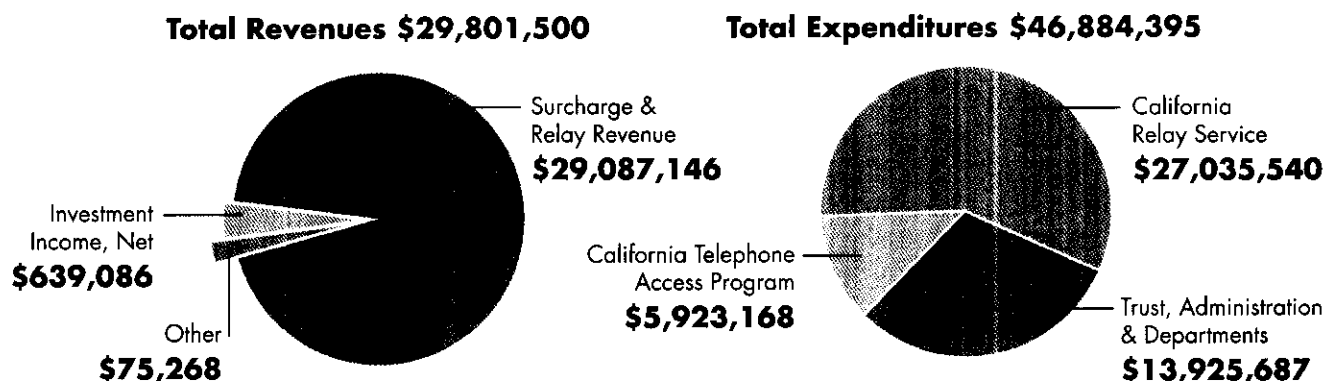
DDTP is responsible for directing all the programs and services described here, on behalf of the California Public Utilities Commission.

DDTP implements the California Telephone Access Program (CTAP) and the California Relay Service (CRS). Its functions include strategic planning, administration, financial management, equipment procurement and distribution, telecommunications contract management, marketing communications, consumer affairs and reporting. It is guided by three committees, described on these pages, each of which focuses on specific activities.

In 2001 DDTP carried out effective outreach and public information activities in addition to the 7-1-1 media campaign. DDTP distributed 229,000 brochures and provided advertisements, direct mailings and a Website. DDTP also carried out 1,180 outreach events to inform civic and community groups, and government and professional organizations.

Financing

Funds for DDTP's activities, equipment and services come from all telephone subscribers in California. In 2001 they paid a surcharge on toll calls made within the state. This charge appears on consumer phone bills as "CA Relay Service and Communications Devices Fund."



Few active TRS vendors

- Vendors control the bidding
- Vendors are non-responsive to consumers
- Inability of states to demand quality service (liquidated damages don't work)
- DDTP held at arm's length - no partnering or access



Advocacy gains public support as San Francisco Mayor Willie Brown congratulates John Darby, DDTP Administrative Committee Chairman

Contributing Professional Skills and Time

Volunteers on DDTP's administrative and advisory committees are drawn from professions ranging from law, education, organizational management, employee relations, audiology, marketing, legislative advocacy, business administration, rehabilitation, electronics engineering, banking and others.

*Volunteers
augment DDTP's
management
capacity by a third.*

They provide program and budget analysis, advocacy and outreach, complementing DDTP staff who focus on program management, consumer education and equipment distribution.

Most recently, volunteers helped define complex technical requirements for service providers to bid on for the California Relay Service, and advised state decision-makers.

The 18 volunteer committee members each devote the equivalent of 2 – 2.5 months of labor per year, or more, in effect augmenting DDTP's management staff by a third.

Inability of the DDTP to:

■ Verify Quality of Service

- Average speed of answer
- Blockage rates
- Call handling and relay functions
- Consumer choice

■ Verify Billing

- Costs to the DDTP
- Costs to the California consumer

Campaigning to Change Telecommunications

Dr. Bob Segalman conceived of the Speech to Speech service (STS) as a consumer with a speech disability who could not easily use the relay service with a TTY, since typing was difficult for him. He proposed a system where a trained communications assistant would relay phone conversation by voice between each disabled person and anyone else.

By advocating the system in California he obtained the first trial of STS and saw it permanently established in 1999. He and others convinced the FCC to make STS available nationwide on March 1, 2001.

Volunteering Technical Know-How

The Telephone Pioneers are extending the benefits of DDTP's California Telephone Access Program (CTAP) to provide specialized telephone equipment to more consumers.

Refurbishing CTAP equipment which otherwise might be discarded, the Telephone Pioneers have returned approximately 20,000 units to service, providing them to over 14,500 consumers who are Deaf or who have a disability.

"Dr. Bob" - father of the Speech to Speech Service

"Our volunteer workshop refurbished equipment worth \$1.5 million for those in need."

Lou Marracci, Telephone Pioneers (Pacific Bell), Oakland CA

Left to right: Lou Marracci, 81, Norm Moore, 82 and Al Harris, 67, a few of the Telephone Pioneers (Pacific Bell), Oakland, California



No Vendor Incentives

- Customary market forces are not operative - Users do not reprogram their TTYs
- Vendors are unresponsive to liquidated damages
- Contract cancellation is not practical

Promoting 7-1-1

October 1, 2001 marked the launch of 7-1-1, the new toll-free number to the California Relay Service.

The "Dial 7-1-1" campaign by DDTP worked to increase public awareness of the relay service and its convenience, and to promote greater interaction between the hearing and Deaf communities by telephone.

In Los Angeles, actress Marlee Matlin, who is Deaf, volunteered to team up with San Francisco Mayor Willie Brown to make California's first official 7-1-1 call for DDTP.

News of the Matlin and Brown 7-1-1 event splashed across television, radio and newspapers statewide and nationally. Media advertising also helped to increase public awareness.

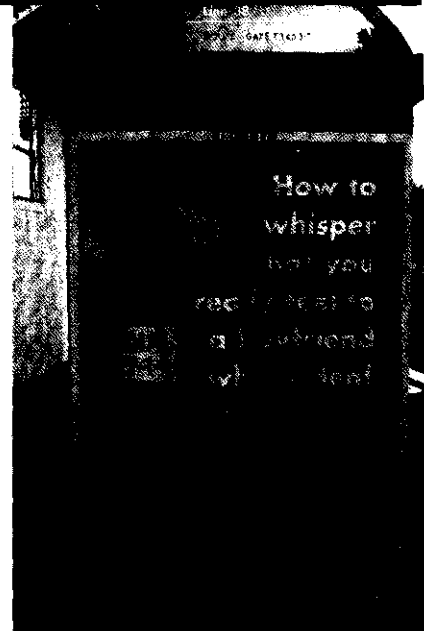
Providing Good Governance

Consumer-volunteers hold all voting seats on the committees which steer the actions of DDTP. They shape and monitor what the public receives.

This volunteer leadership brought forward better equipment and services for consumers. It gave consumers a choice of relay service vendors, unique in the nation. Recently the volunteer leadership also centralized DDTP to directly serve consumers, instead of relying on local telephone companies.

Volunteer committee members represent Californians who are Deaf, or who have a disability served by DDTP. Non-voting committee members represent the Public Utilities Commission, telephone companies and relay service providers.

"Consumer involvement is the key to DDTP's success. No one knows more about dealing with disabilities than those who have a disability. The best advocates are we who are directly affected." **Wayne Baker**, Disabled Community



Staff and volunteers assisted to create a 7-1-1 media campaign



Wayne Baker, Member, with Sheila Killian, Chairperson, Equipment Program Advisory Committee

What happens when we bid?

- *One, two, possibly three bidders - or none*
- *Probably no compliant proposals*
- *End result will be a sole source award*
- *Unfavorable negotiated contract terms*
- *Poor service, no choice, no options*

Volunteers Leading the Way

Over the last fifteen years volunteers and staff have combined efforts to provide the wide range of services and products known as the Deaf and Disabled Telecommunications Program (DDTP).

"Consumer involvement is the key..."

The public has responded enthusiastically. Over 350,000 Californians now use DDTP's specialized equipment to improve their lives. Californians make about 7 million calls a year through the California Relay Service, also provided by DDTP.

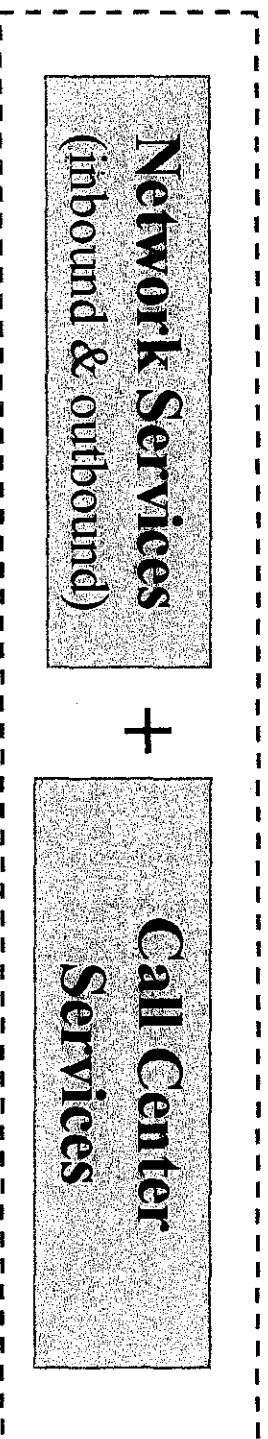
Volunteerism is the foundation of DDTP's success, providing good governance and professional input, and galvanizing others to extend the program to many more people.

Academy Award winning actress,
Marlee Matlin, promotes 7-1-1

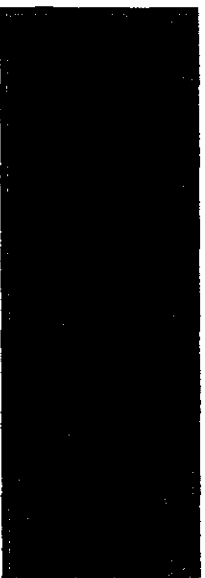


Why so few TRS vendors?

The two components of TRS have always
been tied together:



=



Message from the Chair

It's gratifying that the FCC has called our program "a model for the nation." Such public recognition will, I hope, protect the system of good governance and volunteerism which has allowed DDTP to impact so many people's lives so positively. Without consumer volunteers on DDTP's policy making and advisory bodies, and also partnering with staff to provide outreach, advocacy and management, DDTP would have been unable to achieve its mandate.

The Public Utilities Code orders that our program serve "... persons with functional limitations of hearing, vision, speech, mobility, manipulation, and processing information (cognition)." To serve these persons well has depended on these same persons steering the program.

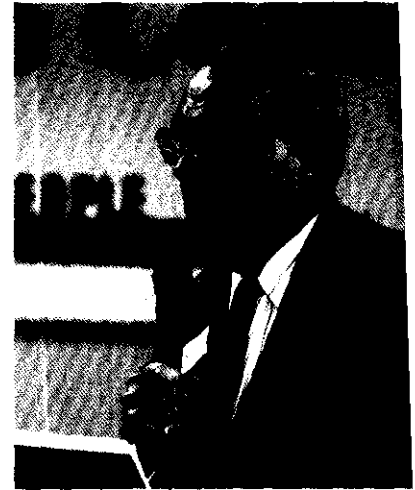
"Nothing about us without us," has been a disability community rallying cry put into practice at DDTP. It's that sense of ownership which motivates individuals to volunteer their time and skills to assist DDTP.

Outreach at dozens of public gatherings each year, advocacy to legislators and decision-makers in sometimes urgent sessions, bringing professional expertise to policy-making and implementation on a regular basis...it's being empowered as stakeholders which keeps us going.

As my final term on the Administrative Committee draws to a close, I hope that future stewards of the program will preserve what makes DDTP a truly great program: consumers empowered to work in partnership with staff.



John L. Darby, Chairman
DDTP Administrative Committee



Two healthy markets:

Network Services

- *Competitive*
- *Responsive*
- *Many vendors*

Call Center Services

- *Competitive*
- *Responsive*
- *Many vendors*

Message from the Executive Director

In his State of the Union address delivered in January 2002, President George W. Bush announced a new volunteer initiative to bring Americans together to strengthen our communities and serve our neighbors.

Mr. President, I am proud to report that this type of volunteer effort has existed here in California within the DDTP for nearly fifteen years.

The very first consumer members were added on a volunteer basis to one of DDTP's advisory committees in 1987. Since then, the role of our consumer representatives has grown to the point where they constitute the majority of committee members. These volunteers function as high quality consultants, evaluators, editors and strategic planners, allowing us to avoid hiring staff to perform these roles. As a group they contribute thousands of hours of their time each year to make the DDTP succeed.

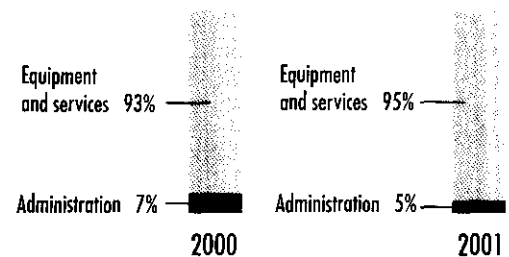
Volunteers are one key reason our administrative costs consistently are kept to a minimum, allowing us to put over 95% of our budget into the equipment and services provided to consumers statewide. This is a phenomenal track record!

As DDTP enters its 22nd year, serving hundreds of thousands of Californians, the vision, direction and commitment of our consumer committee members remain the foundation of our success.



Shelley Bergum
DDTP Executive Director

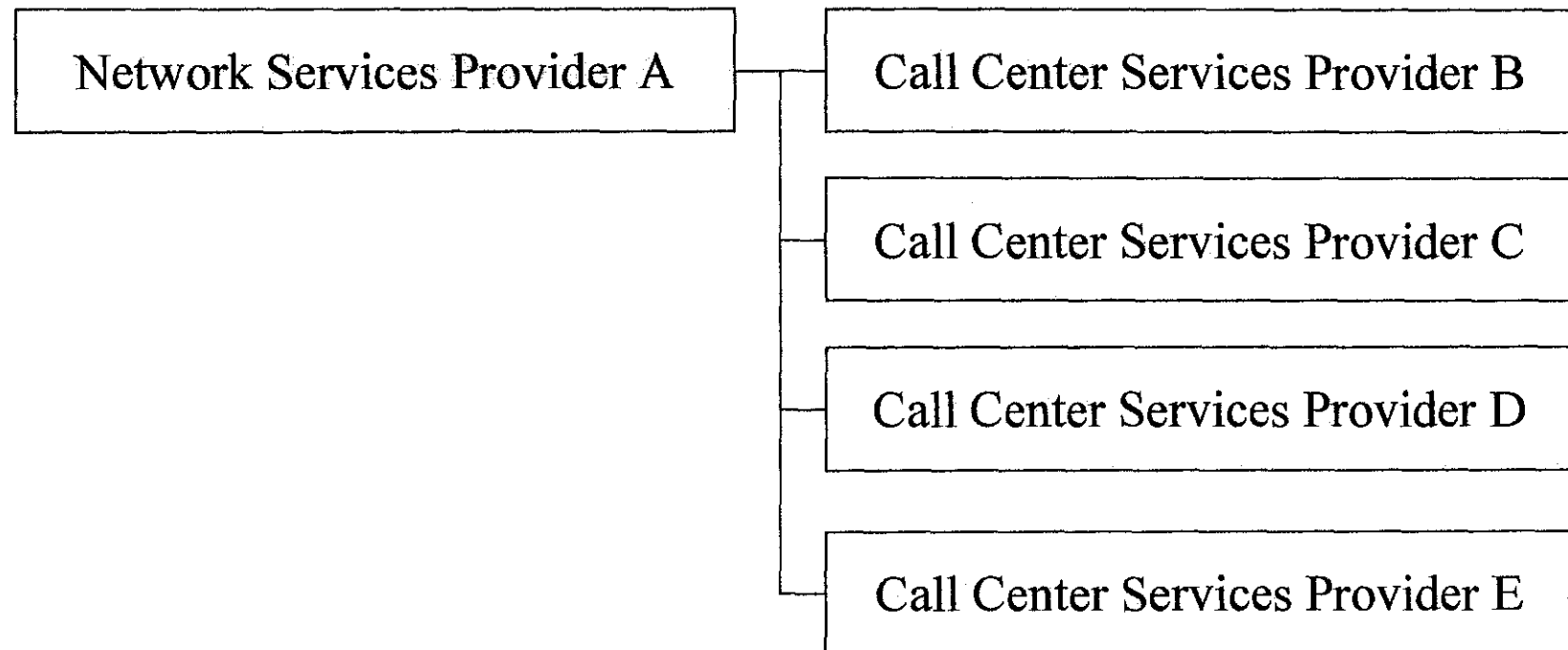
**DDTP Administrative Costs as
a Percentage of Expenditures**



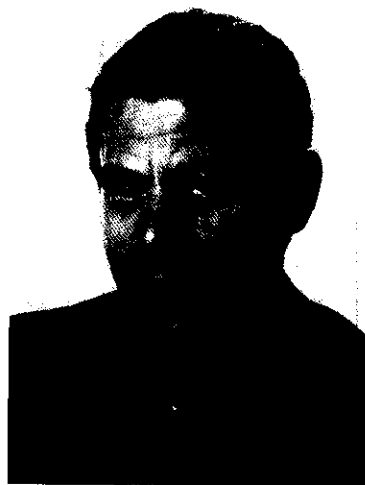
Administrative costs are low in part due to volunteers who provide input.

The solution:

Separate the bids



Our Mission



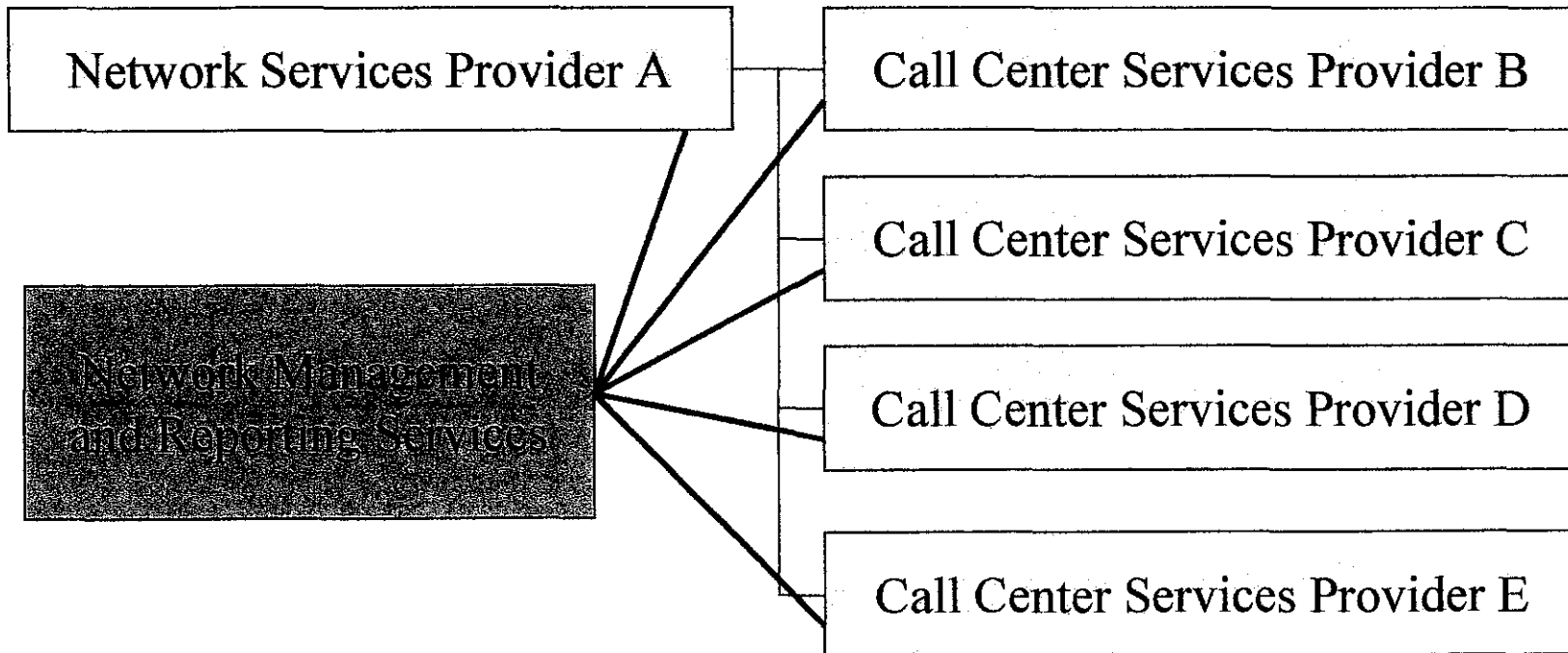
"Here in California, the California Deaf and Disabled Telecommunications Program Advisory Committee is a model for the nation."

William E. Kennard, Chairman 1997-2001,
Federal Communications Commission,
Washington DC

Our aim is to **empower** all Californians who are Deaf or who have a disability or impairment to use the telephone to communicate successfully. To achieve this goal, California has taken a unique approach: a partnership between **volunteers** and staff who work together to bring the benefits of a highly responsive and professional program to **consumers**. Recognizing our program as a "model for the nation," the Federal Communications Commission (FCC) has instituted a similar approach at the national level: The Consumer/Disability Telecommunications Advisory Committee, established November 2000.

"...a model for the nation"

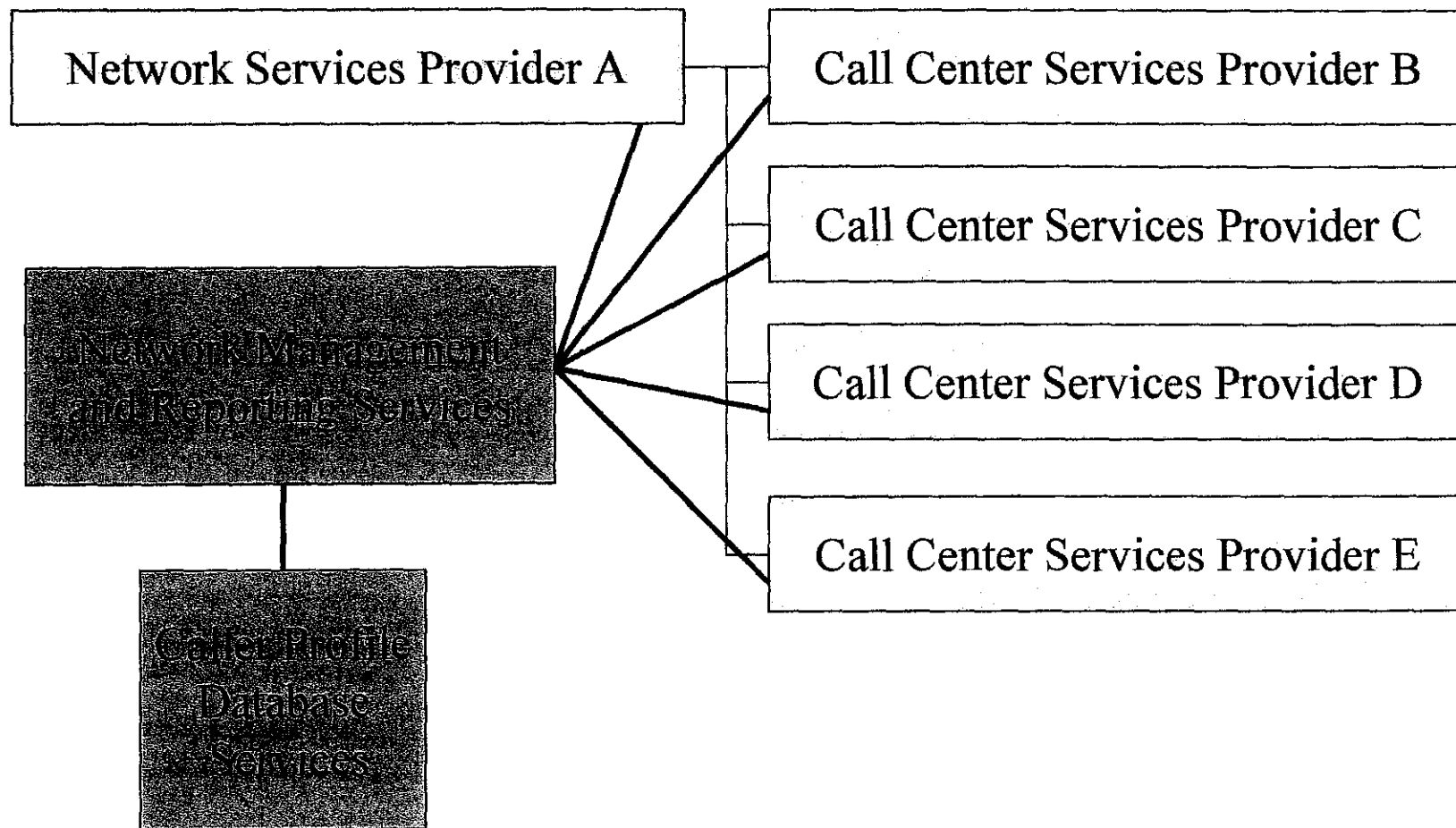
Add management & reporting



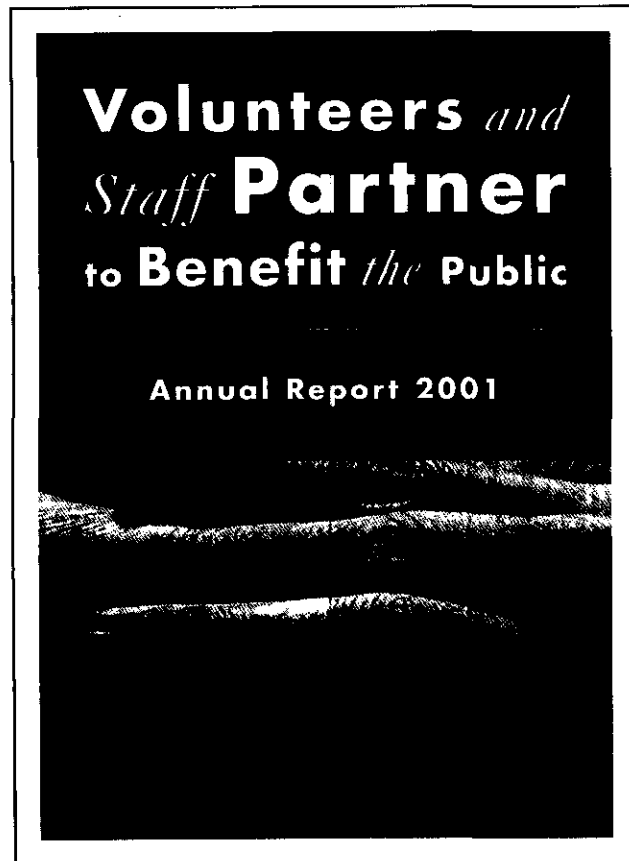
Contents

Executive Director's Message	2
Chairman's Greeting	3
Volunteers Leading the Way	4
Promoting 7-1-1	5
Providing Good Governance	5
Campaigning to Change Telecommunications	6
Volunteering Technical Know-How	6
Contributing Professional Skills and Time	7
The Deaf and Disabled Telecommunications Program	8
The California Relay Service	10
The California Telephone Access Program	11
Remarks by FCC Chairman	12
Auditor's Report	13
People Who Make Our Program Work	24

Add caller profile services



The Deaf and Disabled Telecommunications Program



**The California Telephone Access Program
The California Relay Service**

The California Telephone Access Program (CTAP)

CTAP provides a wide array of telephone equipment free of charge. Californians who are Deaf, hard-of-hearing, speech disabled, blind, or have low vision, cognitive impairments, or restricted mobility, are eligible to receive equipment with certification by a medical doctor, a licensed audiologist, a qualified state agency, or a hearing aid dispenser. Applications are processed by the CTAP Call Center and equipment is distributed through the CTAP Equipment Distribution Center.

See page 25 for telephone numbers to access this service.



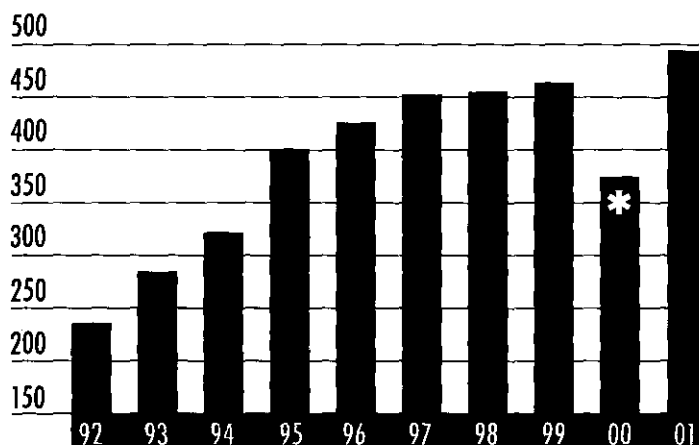
The CTAP Call Center in Stockton where applications for equipment are processed.

The Equipment Program Advisory Committee (EPAC)

This Committee advises DDTPAC on equipment technology, new products, equipment distribution, service quality and policies. It is composed of 10 representatives: Voting Members - consumer groups (5); and Non-voting members - telecommunications vendor and carriers (3), relay service provider (1) and the CPUC (1). Committee Members are listed on page 24.

Total Equipment In-Service

(In Thousands)



* 2000 begins new CTAP accounting system

Excerpt of Remarks by William E. Kennard, Chairman, Federal Communications Commission

The 10th Anniversary of the Americans with Disabilities Act
Torch Relay at The Los Angeles Convention Center
Los Angeles, California
June 19, 2000

"...Here in California, the California Deaf and Disabled
Telecommunications Program Advisory Committee is a model
for the nation.

"You blaze trails..."

That committee, like the ADA, is ten years old. It is a
committee of **consumers** with disabilities that advises
state regulators here on policies dealing with accessibility.

Because of this committee, because of the hard work and
vision of activists in this state, California has the nation's most
progressive equipment distribution program.

You keep the state government up to speed about the issues
that confront people with disabilities. You blaze trails and let
me tell you, people around the country, including at the FCC,
are following in your footsteps. Your rallying cry, "Nothing
about us without us," has become my rallying cry.

So I am proud to announce today that the FCC will create a
Consumer Advisory Committee to **open wider
doors** to the disability community, just as you have done
here in California..."

William E. Kennard, Chairman 1997 - 2001,
Federal Communications Commission, Washington DC



DDTP is guided and advised by
many stakeholders including
consumers from the communities
which it serves. Pictured left to right:
Kathleen Barrett and Joel Tolbert.

Independent Auditor's Report

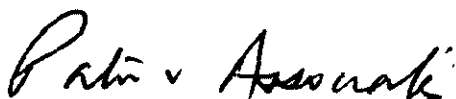
Administrative Committee

Deaf and Disabled Telecommunications Program
Oakland, California

We have audited the accompanying general-purpose financial statements of the Deaf Equipment Acquisition Fund Trust, a component of the California Public Utilities Commission, as of December 31, 2001 and 2000, and for the years then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Deaf Equipment Acquisition Fund Trust's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Deaf Equipment Acquisition Fund Trust as of December 31, 2001 and 2000, and the results of its operations and changes in reserved fund balance for the years then ended in conformity with U.S. generally accepted accounting principles.



Oakland, California
February 22, 2002

Deaf Equipment Acquisition Fund Trust
(A Component of the California Public Utilities Commission)

Balance Sheets

Fiduciary Fund Type and Account Group
December 31, 2001 and 2000

	Fiduciary Fund Type	General Fixed Assets Account Group	Totals (Memorandum Only)	
			2001	2000
Assets				
Cash and cash equivalents (Notes 1 & 2)	\$ 12,240,293	\$ -	\$ 12,240,293	\$ 9,073,729
Investments (Notes 1, 2 & 9)	2,992,490	-	2,992,490	12,806,480
Receivables from telephone companies (Note 6)	14,751,852	-	14,751,852	8,903,353
Other receivables	-	-	-	76
Prepays & deposits	90,690	-	90,690	39,982
Fixed assets, net of \$415,212 and \$243,464 of accumulated depreciation for 2001 and 2000, respectively (Notes 1 & 3)	-	722,318	722,318	880,698
Total assets	\$ 30,075,325	\$ 722,318	\$ 30,797,643	\$ 31,704,318
Liabilities				
Accounts payable	\$ 5,566,322	\$ -	\$ 5,566,322	\$ 5,853,795
Liability to telephone companies (Note 8)	1,841,920	-	1,841,920	-
Accrued liabilities	586,844	-	586,844	854,177
Loan payable (Note 9)	15,000,000	-	15,000,000	-
Accrued interest payable	47,486	-	47,486	-
Total liabilities	23,042,572	-	23,042,572	6,707,972
Equity and Other Credits				
Investment in general fixed assets	-	722,318	722,318	880,698
Reserved fund balance (Note 1)	7,032,753	-	7,032,753	24,115,648
Total equity and other credits	7,032,753	722,318	7,755,071	24,996,346
Total liabilities, equity and other credits	\$ 30,075,325	\$ 722,318	\$ 30,797,643	\$ 31,704,318

The accompanying notes are an integral part of these financial statements

Deaf Equipment Acquisition Fund Trust
(A Component of the California Public Utilities Commission)

Statements of Revenues, Expenditures and Changes in Reserved Fund Balance
Year ended December 31, 2001 and 2000

	2001	2000
Revenues		
Surcharge revenue (Note 7)	\$ 28,998,277	\$ 43,445,497
Relay revenue	88,869	251,443
Investment income, net of fees of \$23,402 in 2001 and \$40,945 in 2000	639,086	1,698,440
Net decrease in fair value of investments	—	(368,506)
Other	75,268	133,257
Total revenues	29,801,500	45,160,131
Expenditures		
California Relay Service (S.B. 244)		
California Relay Service	25,917,061	22,494,471
Speech-to-Speech	1,118,479	1,351,519
Total S.B. 244 expenditures	27,035,540	23,845,990
Specialized equipment for the disabled (S.B. 60)		
Equipment purchases	3,396,867	6,808,076
Tariffed services	967,572	1,172,781
Distributions and maintenance	167,227	1,201,210
Labor and other expenditures	111,020	3,069,577
Administration	5,146	832,226
Total S.B. 60 expenditures	4,647,832	13,083,870
TDD distribution (S.B. 597)		
Equipment purchases	1,004,386	1,715,629
Tariffed services	(5,318)	29,707
Distributions and maintenance	261,033	268,740
Labor and other expenditures	13,993	827,027
Administration	1,242	153,232
Total S.B. 597 expenditures	1,275,336	2,994,335
Trust, administration and departments	13,925,687	8,667,210
Total expenditures (Note 10)	46,884,395	48,591,405
Deficit of Revenues Over Expenditures	(17,082,895)	(3,431,274)
Reserved Fund Balance, Beginning of Year	24,115,648	27,546,922
Reserved Fund Balance, End of Year	\$ 7,032,753	\$ 24,115,648

The accompanying notes are an integral part of these financial statements

Deaf Equipment Acquisition Fund Trust

(A Component of the California Public Utilities Commission)

Statements of Revenues, Expenditures and Changes in Reserved Fund Balance – Budget and Actual

Year Ended December 31, 2001 and 2000

2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Surcharge revenue	\$ 22,517,000	\$ 28,998,277	\$ 6,481,277
Relay revenue	116,000	88,869	(27,131)
Investment income, net of fees of \$23,402 in 2001 and \$40,945 in 2000	808,000	639,086	(168,914)
Net decrease in fair value of investments	–	–	–
Other	7,000	75,268	68,268
Total revenues	23,448,000	29,801,500	6,353,500
Expenditures			
California Relay Service (S.B. 244):			
California Relay Service	25,980,000	25,917,061	62,939
Speech-to-Speech	1,011,000	1,118,479	(107,479)
Remote Service Observing Program	50,000	–	50,000
Total S.B. 244 expenditures	27,041,000	27,035,540	5,460
Specialized equipment for the disabled (S.B. 60)			
Equipment purchases	4,473,860	3,396,867	1,076,993
Tariffed services	971,439	967,572	3,867
Distributions and maintenance	223,000	167,227	55,773
Labor and other expenditures	123,996	111,020	12,976
Administration	705,800	5,146	700,654
Total S.B. 60 expenditures	6,498,095	4,647,832	1,850,263
TDD distribution (S.B. 597)			
Equipment purchases	1,406,471	1,004,386	402,085
Tariffed services	239,178	(5,318)	244,496
Distributions and maintenance	303,669	261,033	42,636
Labor and other expenditures	19,961	13,993	5,968
Administration	1,619	1,242	377
Total S.B. 597 expenditures	1,970,898	1,275,336	695,562
Trust, administration and departments	14,204,607	13,925,687	278,920
Total expenditures	49,714,600	46,884,395	2,830,205
Excess (Deficit) of Revenues Over Expenditures	(26,266,600)	(17,082,895)	9,183,705
Reserved Fund Balance, Beginning of Year	24,115,648	24,115,648	–
Reserved Fund Balance, End of Year	\$ (2,150,952)	\$ 7,032,753	\$ 9,183,705

The accompanying notes are an integral part of these financial statements

2000

Budget	Actual	Variance Favorable (Unfavorable)
\$ 49,081,000	\$ 43,445,497	\$ (5,635,503)
98,169	251,443	153,274
1,173,264	1,698,440	525,176
-	(368,506)	(368,506)
222,006	133,257	(88,749)
50,574,439	45,160,131	(5,414,308)
23,994,637	22,494,471	1,500,166
1,526,782	1,351,519	175,263
-	-	-
25,521,419	23,845,990	1,675,429
7,232,904	6,808,076	424,828
1,116,348	1,172,781	(56,433)
1,896,628	1,201,210	695,418
4,344,177	3,069,577	1,274,600
931,977	832,226	99,751
15,522,034	13,083,870	2,438,164
1,571,940	1,715,629	(143,689)
54,403	29,707	24,696
549,207	268,740	280,467
1,119,876	827,027	292,849
162,443	153,232	9,211
3,457,869	2,994,335	463,534
12,871,684	8,667,210	4,204,474
57,373,006	48,591,405	8,781,601
(6,798,567)	(3,431,274)	3,367,293
27,546,922	27,546,922	-
\$ 20,748,355	\$ 24,115,648	\$ 3,367,293

February 22, 2002

Deaf Equipment Acquisition Fund Trust
(A Component of the California Public
Utilities Commission)

Notes to General-Purpose Financial
Statements December 31, 2001 and 2000

**Note 1: Organization and Summary
of Significant Accounting Policies**

California legislation was enacted in 1979 requiring the California Public Utilities Commission (CPUC) to implement a program to distribute Telecommunications Devices for the Deaf (TTYs) to certified deaf individuals (S.B. 597). In 1983, further legislation mandated a statewide telecommunications relay service, connecting TTY users to non-TTY users through the use of an operator (S.B. 244). In 1985, additional legislation mandated the distribution of specialized telecommunications equipment to other certified individuals with hearing, vision, speech, and motion disabilities (S.B. 60). This legislation is codified in Section 2881 of the California Public Utilities Code.

In 1989, CPUC formally established the Deaf and Disabled Telecommunications Program (DDTP) to oversee the operations of the mandated programs. Through DDTP, equipment is provided to consumers. The California Relay Service (CRS) is operated through two vendors by contract with DDTP.

The program is funded through a public trust, the Deaf Equipment Acquisition Fund Trust (Trust), from a surcharge, which appears on the telephone bills of all ratepayers in California. The surcharge is labeled "California Relay Service and Communication Devices Fund."

Those monies are remitted to the Trust each month by certified telephone companies doing business in California. Bank of America is the trustee.

In July 2000, DDTP began to centralize its warehouse and distribution operations to San Jose, California. In October 2000, this process was completed. Warehouse and distribution agreements with Pacific Bell and GTE were terminated. New contracts utilizing a full service warehousing and distribution private contractor and a contracting agency for labor resources were approved by CPUC.

In August 2000, DDTP centralized its database and its customer call-in operations to Stockton, California. Customer data from Pacific Bell and GTE and other local telephone providers was transferred to DDTP's new database. A new contract with Communication Service for the Deaf to provide a centralized customer call-in center was approved by CPUC.

In November 2000, DDTP opened to the public its first customer service center to provide full service activities. Two more centers opened in early 2001 and one more in early 2002. Service centers provided by Pacific Bell and GTE were closed. DDTP has been authorized by CPUC to provide seven service centers in various populated areas in California. The remaining three centers are scheduled to be open to the public at future dates in 2002. All present and future service center locations are being supported by teams of DDTP customer advisors and field advisors to greatly enlarge DDTP's total service coverage area. The field advisors travel to the customer's home to provide consultation and installation as needed.

Reporting Entity – Although the Trust is a separate legal entity from CPUC, CPUC exercises significant financial and management control over the Trust. Therefore, effective January 1, 1997, DDTP Administrative Committee determined that the Trust is a component of CPUC for financial reporting purposes. As such, the accompanying general-purpose financial statements are presented in accordance with governmental accounting and financial reporting standards.

Basis of Accounting – Refers to when revenues and expenditures are recognized in the accounts and reported in the general-purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Trust is accounted for as an expendable trust fund using the modified accrual basis of accounting. Revenues are recorded as received, or accrued when they become available and measurable as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collected within the current period or soon enough thereafter (generally seventy-five days) to be used to pay liabilities of the current period. Amounts, which could not be measured or were not available are not accrued as revenue in the current fiscal year. Expenditures are recorded when the related fund liability is incurred. Revenues susceptible to accrual consist principally of surcharge revenue and investment income.

Fund Accounting – To ensure observance of limitations and restrictions placed on the use of resources available to the Trust, accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds established according to their nature and function. As of December 31, 2001 and 2000, the Trust had only one general fund.

Budgets and Budgetary Accounting – The Trust adopts an annual operating budget approved by CPUC on or before December 31 for the ensuing fiscal year. This budget is presented on a modified accrual basis.

Amendments to the budget are approved by DDTP Administrative Committee and CPUC. Any amended budget amounts are included herein.

The Budget for the first six months of the year 2002 has been approved by CPUC as of the date of this report. Effective July 1, 2002 DDTP's fiscal year will change to July 1 through June 30. DDTP's fiscal year 2002-2003 budget has not been approved by CPUC as of the date of this report.

Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Amounts remaining encumbered at year-end are re-budgeted in the next fiscal year until expended or canceled.

Cash and Cash Equivalents – include investments with an initial maturity of three months or less at date of acquisition.

Investments, which consist of U.S. Government securities, are stated at fair value using quoted market prices.

Fixed Assets – Acquisition of fixed assets is reported as expenditures and the related assets are reported in the General Fixed Assets Account Group.

Equipment – Specialized telecommunications equipment purchases are expensed due to the large number of individual components with low dollar value and short estimated lives.

General Fixed Assets Account Group – The expendable Trust fund is accounted for in essentially the same manner as the governmental funds. Accordingly, fixed assets used in the Trust fund operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in the Trust's fund.

The General Fixed Assets Account Group provides accounting control over the cost of fixed assets used by the Trust. The General Fixed Assets Account Group is not a fund and its balances are not financial resources available for expenditure. Rather, they provide a historical accounting record of resources expended on general fixed assets. Depreciation has been provided on general fixed assets. Depreciation is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Computer equipment	2 - 3 years
Furniture and fixtures	3 - 10 years
Leasehold improvement	10 years
Office equipment	3 years
Centralized database	10 years
Other Software	2 years

All fixed assets are valued at historical cost.

Reserved Fund Balance – Reserved fund balance represents that portion of a fund balance, which has been appropriated for encumbrances or is legally segregated for a specific future use. There was no unreserved fund balance at December 31, 2001 and 2000. At December 31, 2001 and 2000 the fund balance reserved for encumbrances was \$289,435 and \$81,626 respectively.

Totals Columns (Memorandum Only) – Totals columns on the accompanying financial statements are

captioned "memorandum only" to facilitate financial analysis. Data in these columns do not purport to present financial position or results of operations in conformity with U.S. generally accepted accounting principles.

Note 2: Cash, Cash Equivalents and Investments

Cash and cash equivalents – At December 31, 2001 and 2000, the Trust's cash and cash equivalents consisted of cash on hand of \$110 for both years, cash in banks of \$89,263, and \$64,866, respectively, cash in an uninsured money market fund of \$477,912 and \$417,526, respectively and cash in an uninsured U.S. Treasury money market fund of \$11,673,008 and \$8,591,227, respectively.

At December 31, 2001 and 2000, the Trust's cash in bank before reconciling items were \$297,501 and \$38,650, respectively, of which \$100,000 was insured by the Federal Deposit Insurance Corporation.

The uninsured cash deposited with financial institutions are entirely collateralized with eligible securities whose fair values are at 110% of the bank balance of the deposit. The uninsured money market funds are entirely collateralized with eligible securities whose fair values are at 102% of the fair values of the investments in money market fund.

Investments – At December 31, 2001 and 2000, the Trust had invested in U.S. government and agency securities \$2,992,490 and \$12,806,480, respectively. The U.S. government and agency securities are uninsured and unregistered.

Note 3: Fixed Assets

A summary of changes in general fixed assets is as follows:

	Cost	Accumulated Depreciation 1/1/2001 balance	Net Book Value	Additions	Cost	Accumulated Depreciation 12/31/2001 balance	Net Book Value
Computer equipment	\$ 206,524	\$ (97,140)	\$ 109,384	\$ 6,806	\$ 213,330	\$ (164,305)	\$ 49,025
Furniture and fixtures	51,674	(12,328)	39,346	–	51,674	(19,374)	32,300
Leasehold improvements	54,406	(6,219)	48,187	–	54,406	(13,940)	40,466
Office equipment	29,088	(15,907)	13,181	2,393	31,481	(23,456)	8,025
Centralized database and other software	782,470	(111,870)	670,600	4,169	786,639	(194,137)	592,502
	\$1,124,162	\$(243,464)	\$ 880,698	\$ 13,368	\$1,137,530	\$(415,212)	\$722,318

Note 4: Retirement Plan

A substantial number of employees of the Trust are covered by a defined contribution retirement plan. Retirement plan expenditures for the years ended December 31, 2001 and 2000 amounted to \$ 320,078 and \$189,014, respectively.

Note 5: Lease Commitments

The Trust has the following future minimum rental payments required under noncancelable lease commitments, primarily for office space, as of December 31, 2001.

Year ending December 31:	
2002	\$ 519,601
2003	530,368
2004	464,508
2005	461,685
2006 and thereafter	1,224,718
	<u>\$ 3,200,880</u>

Rent expenditures were \$593,480 and \$382,678 for the years ended December 31, 2001 and 2000, respectively.

Note 6: Receivables From Telephone Companies

The \$14,751,852 receivable from telephone companies is for surcharge revenues that were collected by the various telephone companies prior to December 31, 2001, but not remitted to DDTP until subsequent period. DDTP believes that due to the legislation that mandated this surcharge, CPUC would have the authority to pursue collection of this amount, therefore they feel that this amount will be collected and hence no provision for Bad Debt Reserve has been provided.

Note 7: Surcharge Revenue

The decrease in surcharge revenue for the year ended December 31, 2001 as compared to December 31, 2000 was the result of the legislated surcharge supporting DDTP expiring on December 31, 2000. The new legislation renewing the surcharge was vetoed by the Governor of California. The surcharge was not reinstated until September 1, 2001. In the interim DDTP used its Trust Fund reserves to pay for its expenditures. Also, DDTP had to take out a loan for \$15,000,000 to continue to cover its operating expenditures until the legislated surcharge revenues began to be remitted. The newly mandated surcharge rate is .48%.

Note 8: Liability to Telephone Companies

At December 31, 2000, the legislated surcharge supporting DDTP expired and new legislation renewing the surcharge was vetoed by the Governor of California. During the period of January 1, 2001 to August 31, 2001 (the Surcharge was reinstated as of September 1, 2001) certain Telephone companies continued to remit the surcharge to DDTP. DDTP has recorded the amount of \$1,841,920 as the liability to these telephone companies. Resolution of this debt is pending instructions from CPUC.

Note 9: Loan Payable

DDTP entered into a loan agreement with the California High-Cost Fund-B Trust, an agency of CPUC, in August 2001. DDTP borrowed the maximum amount allowed under the loan agreement of \$15,000,000. Per the loan agreement and AB 219 which authorized the agreement, all funds borrowed will be re-paid into a Memorandum Account to be held until transferred to the State Treasury on July 1, 2002. As of December 31, 2001 DDTP had transferred \$2,989,169 to this investment account. These investments have a maturity value of \$3,000,000 and will mature on March 21, 2002.

Note 10: Department Expenditures Apportionable to Programs

Certain DDTP departments have material expenditures that directly support the Trust's SB597, SB60, and SB244 programs. These departments include the Equipment Program, Customer Contact, California Relay Services, Field Operations, Outreach and Marketing.

In an effort to conform with the results prior to the centralization of equipment purchasing and distribution, expenditures were not apportioned to the related programs in the accompanying Statement of Revenues, Expenses and Changes in Fund Equity. If the expenditures had been apportioned the result would be as follows:

	2001	2000
SB597	\$ 2,661,365	\$ 3,663,104
SB60	13,993,045	16,976,04
SB244	27,969,923	24,443,469
Non-apportioned Trust & Administrative Expenditures	2,260,062	3,508,791
Total expenditures	\$ 46,884,395	\$ 48,591,405

Deaf Equipment Acquisition Fund Trust

(A Component of the California Public Utilities Commission)

Units of Telecommunication Devices for the Deaf (TDD) and Specialized Equipment for the Disabled

Year Ended December 31, 2001

Exhibit A

	Amplifiers (S.B. 60)	Signal Devices (S.B. 60)	Artificial Larynx (S.B. 60)	Speaker Phones (S.B. 60)	Telephone Sets (S.B. 60)
In-service					
Stockton Call Center	212,583	117,147	2,244	18,100	99,881
Total in-service	212,583	117,147	2,244	18,100	99,881
In-Inventory					
PNS-Central Distribution, San Jose	7,692	926	249	1,399	6,379
Service Center	493	123	62	95	371
Field Advisors	336	95	60	106	265
Total in-inventory	8,521	1,144	371	1,600	7,015
Vendors	526	—	198	87	9
Total equipment	221,630	118,291	2,813	19,787	106,905

Note 11: Subsequent Events

At the time of this Annual Financial Report being completed, there is no pending California state legislation to modify the approved SB 669 transition legislation requiring DDTP's funds to be transferred to the State Controller effective July 1, 2002. If this mandate continues and there is no approved resolution to the contrary by CPUC, DDTP, as it currently exists, will have no funds and no ability to pay invoices, including payroll for existing program staff as of July 1, 2002. CPUC has stated that they will honor all valid contracts entered into by DDTP prior to July 1, 2002, if this event does occur.

Head Sets (S.B. 60)	Special Equipment Assemblies (S.B. 60)	TDD (S.B. 597)	VCO (S.B. 597)	Signal Devices (S.B. 597)	Large Visual Display (S.B. 597)	Total
3,529	7,286	19,402	1,377	12,389	138	494,076
3,529	7,286	19,402	1,377	12,389	138	494,076
1,600	—	1,855	392	1,893	137	22,522
189	—	168	76	128	22	1,727
206	—	113	78	139	31	1,429
1,995	—	2,136	546	2,160	190	25,678
—	—	284	48	65	13	1,230
5,524	7,286	21,822	1,971	14,614	341	520,984

The People Who Make Our Program Work

Our sincere thanks to representatives of various communities who served on an unpaid volunteer basis.

Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC)

John L. Darby, *Hard-of-Hearing Community
and DDTPAC Chairperson*

Margo Friedrich, *Verizon Regulatory and
Gov't. Affairs*

Bob Ingram/Alana Beal, *CRS Provider, MCI
WorldCom*

Michael Koeller, *Late Deafened Community*

M.J. Purcell/Kelly Hymes, *CPUC*

Richard Ray, *Statewide Deaf Organization*

George "Butch" Zein, *Deaf Community at
Large*

Hale Zukas, *Disabled Community*

Frank Bustillos, *Pacific Bell*

The California Relay Service Advisory Committee (CRSAC)

Kathleen Barrett, *Speech Disabled
Community and CRSAC Co-Chairperson*

Lorie Brand, *Late Deafened Adult
Community and CRSAC Co-Chairperson*

Alana Beal, *CRS Provider, MCI WorldCom*

Philip Janes, *Deaf Community*

Richard Matthews, *Hard-of-Hearing Community*

Joel Tolbert, *CPUC*

Judy Viera, *Deaf Community*

Doug England, *Hearing Community*

The Equipment Program Advisory Committee (EPAC)

Wayne Baker, *Disabled Community*

Sheila Killian, *Disabled Community and
EPAC Chairperson*

Dana Mulvany/Karen Street, *Hard-of-Hearing
Community*

Dolores Olson, *Senior Citizen Community*

Kathleen Spear, *Deaf Community*

Mark Vandervelden, *CPUC*

DDTP Staff

Shelley Bergum, *Executive Director*

Sharon Albert, *Deputy Director*

Barbara Bianchi Kai, *Marketing and
Outreach Dept. Manager*

Lilia Castellanos, *Equipment Program
Dept. Manager*

Jim Murphy, *Accounting Dept. Manager*

Susanne Paradis, *Administrative and
Human Resources Dept. Manager*

Sharon Shafran, *Customer Contact Dept.
Manager*

Terry Tibble, *Field Operations Dept.
Manager*

David Weiss, *California Relay Service
Dept. Manager*

California Relay Service Providers

MCI WorldCom, *Riverbank, California*

Sprint, *Kansas City, Kansas*

Trustee

Bank of America, *San Francisco*

Legal Counsel

Steefel, Levitt and Weiss, *San Francisco*

Certified Public Accountants

Patel and Associates, *Oakland*

Investment Advisor

Wurts and Associates, *El Segundo*

Contact Information

Deaf and Disabled Telecommunications Program

505 14th Street, Suite 400
Oakland, CA 94612
(510) 302-1100 Voice
(510) 302-1101 TTY
(510) 302-1130 and 302-1131 Fax

Consumer Affairs

(800) 867-4323 Voice / TTY
(510) 302-1131 Fax

CTAP Outreach

(800) 995-6831 Voice / TTY

CTAP Call Center

Stockton, CA
(800) 806-1191 Voice
(800) 949-5650 Voz Español
(800) 806-4474 TTY
(800) 896-7670 TTY Español
(800) 889-3974 Fax

CTAP Service Center- Fresno

1320 East Shaw
Suite 130
Fresno, CA 93710

CTAP Service Center - Riverside

6370 Magnolia Avenue
Suite 310
Riverside, CA 92506

CTAP Service Center - Sacramento

2033 Howe Avenue
Suite 150
Sacramento, CA 95825

CTAP Service Center - Santa Ana

2677 North Main Street
Suite 130
Santa Ana, CA 92705

CTAP Service Center - San Diego

2878 Camino Del Rio South
Suite 400
San Diego, CA 92108

CTAP Equipment Distribution Center

San Jose, CA

California Relay Service

MCI WorldCom CRS
(800) 735-2929 TTY
(800) 735-2922 Voice
(800) 855-3000 Voz y TTY Español
(800) 735-0091 Computer/ASCII
Intl. Code + 1-209-863-0162
Customer Service (800) 735-0373
Voice / TTY

Sprint CRS

(877) 735-2929 TTY
(888) 877-5379 Voice
(888) 877-5380 Computer/ASCII
(888) 877-5381 Voz y TTY Español
Intl. Code + 1-605-224-1837
(800) 676-3777 Customer Service
Voice / TTY

Speech to Speech Service

(800) 854-7784

Annual Report

OneWorld Communications, Inc.,
San Francisco

